Lease vs. Purchase Cost/Benefit Analyses
Worksheet Instructions

PURPOSE
Use this worksheet to determine if it is more feasible to lease or purchase an asset.
ENTERING DATA
Enter data in rows **3-7** and **10-18** of the worksheet. The remainder of the worksheet has been protected so you cannot enter data.
Purchase cost (D10)
The total cost of buying the asset for cash goes in cell **D10**. The value you enter must reflect both the costs and advantages of purchasing the asset outright. Costs include such charges as sales tax. Advantages include items such as rebates.
Resale price at termination of lease (D11)
Enter the amount for which the asset could be sold at the end of the lease term. This may be a best-guess situation.
Periodic discount rate (D-12)
Enter the periodic discount rate used to convert future cash flows to their present-value equivalents. This rate must correspond to the lease payment periods. If payments occur monthly, for example, express the discount rate as a monthly rate. If payments are made annually, express the rate as an annual rate. As an example, use the rate at which you could borrow money from the Bank of North Dakota.
Initial Deposit (D-13)
The initial lease deposit required goes in cell **D-13**.
Periodic payment (D-14)
Enter the periodic lease payment in cell **D-14**. This value must include all ancillary costs, such as taxes.
Number of periodic payments (D-15)
Enter the number of periodic lease payments you expect to make during the life of the lease.
Purchase option price (D-16)
Enter the amount for which you can buy the asset from the lessor when the lease expires.
Initial deposit returned (D-17)
Enter the amount of the initial deposit that will be returned when the lease expires. Any interest the lessor pays on the initial deposit should be included.
Payment in advance (D-18)
Enter **Y** in cell **D18** if payments are made at the beginning of the payment period.
Enter **N** if payments are made at the end of each payment period.

INTERPRETING THE RESULTS
The formulas in the worksheet perform two present-value analyses. The first analysis, in rows 27-30, compares the cost of buying the asset with the present-value cost of leasing. This analysis assumes you hold the asset until it wears out. The second analysis, in rows 32-35 compares buying with leasing, assuming you hold the asset only until the end of the lease term.

PRINTING THE WORKSHEET
To print the worksheet, press **CTRL+P**, then select **OK**.